

October 23, 1995
SWV-95-001

Memorandum

To: T.J. Motherway; T.J. Lawlor, Jr.; T.A. Overturf; P. Cyburt
From: S.W. Vogeding *Smogeding*
Subject: Estimated Remediation Costs of Torrance Property

I discussed this subject with Dan Summers and Ron Seaton, MDC-HQ. The following points were discussed:

1. The current estimated cost of remediating ground water contamination is \$19M. This cost assumes the property remains in its current state. The costs are primarily O & M costs relating to treating ground water over approximately 30 years.
2. Additional costs would be incurred if the property were developed. Asbestos removal costs would result from the demolition of existing buildings and the potential exists for soil remediation as excavation takes place. Dan's ROM estimate was in the \$3-\$6M range.
3. Substantial downside risk exists as a result of the Superfund Site that is adjacent to the Torrance property. Apparently there is DDT contamination from the Montrose Chemical Co. that occupies the site. If MDC contamination flowed to that site in the ground water, the potential exists for Torrance to be annexed into the Superfund Site. Montrose apparently has minimal net worth.
4. MDC is in litigation with three insurance carriers in an attempt to mitigate our exposure at a number of sites. Dan Summers believes there is a high probability of concluding such litigation prior to the time any redeveloped facility would be sold.
5. No accounting provisions have been booked for any of these cost, except for \$875k related to studies. MDC believes no accruals are currently required to recognize these costs since the property is currently being held for sale, that remediation costs can be capitalized as costs to bring the property to a salable state, and that the resulting basis would be less than proceeds from sale. This position was apparently agreed to by E&Y.